

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CEA-01 CIAE-00 COME-00 EB-07

EA-07 FRB-03 INR-07 IO-11 NEA-10 NSAE-00 OPIC-03

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E.O. 11652: N/A

TAGS: ETRD, OECD

SUBJECT: FEB. 9-10 MEETING OF HIGH LEVEL GROUP ON
COMMODITIES (HLGC)

1. SUMMARY: HLGC AGREED THAT FIRST SESSION OF CIEC RAW MATERIALS COMMISSION (CORM) SHOULD BE DEVOTED PRIMARILY TO ESTABLISHING WORK PROGRAM CONSISTING OF NON-EXCLUSIVE LIST OF NEUTRALLY WORDED TOPICS. JAPAN (CORM CO-CHAIRMAN) AGREED TO WORK INFORMALLY WITH OTHER DC CORM PARTICIPANTS TO DEVELOP SUCH A LIST BEFORE FIRST MEETING OF COMMISSION FEB. 11. HLGC TENTATIVELY SCHEDULED MEETING OF SUBGROUP ON EXPORT EARNINGS STABILIZATION SCHEMES FOR FIRST WEEK IN MARCH AND AGREED TO HOLD ITS OWN NEXT MEETING IN MID-MARCH PRIOR TO SECOND SESSION OF CORM. THE US TOOK THE LEAD IN INITIATING CIEC PORTION OF HLGC DISCUSSIONS. EC PARTICIPATION, HOWEVER, WAS VERY LIMITED, REFLECTING GENERAL LACK OF AGREED POSITIONS AND WILLINGNESS OF MEMBER STATES TO DEFER TO LUXEMBOURG AS SPOKESMAN. CHALLENGED ON UTILITY OF FUTURE HLGC MEETINGS, LUXEMBOURG REP SAID EC HAD FOUND DISCUSSIONS USE-

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FUL AND WISHED TO CONTINUE TO USE HLGC TO EXCHANGE VIEWS

ON CORM ISSUES IN FUTURE. END SUMMARY

2. CIEC/CORM: THE US TOOK THE LEAD IN STARTING DISCUSSION ON HOW TO APPROACH CIEC/CORM IN THE FACE OF GENERAL RETICENCE OF MANY DELEGATIONS--PARTICULARLY THE EC--TO STATE THEIR VIEWS. FINALLY, THERE WAS GENERAL AGREEMENT IN HLGC THAT PRINCIPAL SUBJECT OF FEB. 11-20 CORM SESSION SHOULD BE ESTABLISHMENT OF WORK PROGRAM. GROUP ALSO GENERALLY AGREED WITH US THAT APPROPRIATE AGENDA WOULD BE A NEUTRALLY WORDED LISTING OF BROAD CATEGORIES OF ISSUES. VIEWS DIFFERED, HOWEVER, ON PRIORITIES WITHIN WORK PROGRAM. JAPANESE DEL (MOTONO) SUGGESTED CORM WORK BEGIN WITH ANALYSIS OF SUPPLY AND DEMAND CONDITIONS FOR INDIVIDUAL PRODUCTS. LUXEMBOURG (WEYLAND), SPEAKING FOR EC, PROPOSED WORK START WITH DETAILED FACTUAL ANALYSIS AIMED AT DEFINING PROBLEMS, AND IDENTIFYING COMMODITIES AND SOLUTIONS. HE MADE IT CLEAR THAT EC WAS NOT VERY FAR ALONG IN DEVELOPING SUBSTANTIVE POSITIONS FOR COMMISSION. US DEL (KATZ), SUPPORTED BY CANADA AND AUSTRALIA, EXPRESSED RESERVATIONS ABOUT UTILITY OF STUDYING COMMODITIES FIRST, ARGUING THIS PROCEDURE WOULD NOT TAKE CORM VERY FAR. HE SUGGESTED COMMISSION BEGIN WORK BY DISCUSSING BROAD TECHNIQUES, SUCH AS IMPROVEMENT OF MARKETS, TRADE, INVESTMENT, PRODUCTION EFFICIENCY, PRICE, AND STABILIZATION OF EARNINGS. NETHERLANDS ALSO SIDED WITH US ON THIS ISSUE ON GROUNDS THAT SUCH AN APPROACH WOULD OFFER MORE CHANCE OF OBTAINING A CONSTRUCTIVE INPUT BY CORM INTO UNCTAD IV.

3. IN VIEW OF GENERAL AGREEMENT ON USEFULNESS OF NEUTRALLY WORDED LIST OF TOPICS, GROUP BATTED AROUND QUESTION OF HOW THIS MIGHT BE PRODUCED, WITH CANADIANS SUGGESTING JAPANESE DO IT AND JAPAN ASKING SECRETARIAT TO UNDERTAKE TASK. US SUPPORTED LAST IDEA, BUT EC QUESTIONED UTILITY OF SUCH AN EFFORT AND EXPRESSED WORRY ABOUT POSSIBLE "LEAKING" OF DOCUMENT. END RESULT WAS AGREEMENT THAT JAPANESE SHOULD WORK INFORMALLY WITH OTHER DC CORM PARTICIPANTS TO DEVELOP LIST. (AFTER MEETING JAPAN BEGAN DISCUSSIONS WITH G-5 ON LIST. US DEL CIRCULATED ITS PROPOSED AGENDA PRIVATELY TO SEVERAL LIMITED OFFICIAL USE

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DELEGATIONS.

4. HLGC AGREED PAPER PREPARED BY GROUP B FOR UNCTAD COMMODITIES COMMITTEE MIGHT BE USEFUL AS BASIS FOR DISCUSSIONS AT LATER POINT, WHILE RECOGNIZING THAT NUMBER OF DELS CONSIDERED IT UNSATISFACTORY IN SOME RESPECTS. LUXEMBOURG, SPEAKING FOR EC, DISMISSED PAPER AS OBSOLETE AND OUT-OF-DATE, THOUGH THIS APPEARED TO BE MAINLY A

REFLECTION OF LACK OF AGREED EC POSITION ON SUBSTANCE
PLUS DESIRE TO AVOID EARLY REVIVAL OF DOCUMENT WHICH
HAD ALREADY BEEN REJECTED BY G-77. US, CANADA, AND
SWEDEN DEFENDED PAPER A USEFUL BASIS FOR FURTHER WORK.

5. US DEL EXPRESSED SOME DISAPPOINTMENT AT LIMITED
NATURE OF DISCUSSION OF CORM ISSUES, DRAWING ATTENTION

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TO UNWILLINGNESS OF EC TO MAKE MORE THAN VERY LIMITED
INTERVENTIONS AND UNWILLINGNESS OF MEMBER STATES TO
SPEAK AT ALL, AND INDICATED HIS VIEW THAT USEFULNESS OF
HLGC WOULD BE SEVERELY CURTAILED IF IT WERE NOT USED MORE
INTENSIVELY FOR PRE-CORM DISCUSSIONS. LUXEMBOURG REP
RESPONDED THAT EC HAD CONSIDERED EXCHANGE OF VIEWS VERY
USEFUL AND THAT, ALTHOUGH THE COMMUNITY ALWAYS HAD A VERY
INTENSIVE WORK SCHEDULE BEFORE COMMISSION MEETINGS, IT
WAS PREPARED TO PARTICIPATE IN FUTURE MEETINGS OF HLGC TO
EXCHANGE VIEWS ON CORM. (COMMENT: EC "GAG RULE"

APPEARED TO APPLY ONLY TO CORM QUESTIONS AND NOT TO SUBJECTS SUCH AS UNCTAD OR EARNINGS STABILIZATION. OUR CONVERSATIONS WITH WEYLAND AND OTHERS INDICATE EC FOUND ITS UNCONSTRUCTIVE APPROACH ON CORM SOMEWHAT EMBARRASSING AND THAT EC REPS MAY NOW FEEL THEY REACTED OVER CAUTIOUSLY TO THEIR LACK OF AGREED POSITIONS.)

6. EXPORT EARNINGS STABILIZATION: GROUP HEARD PRESENTATION BY IMF STAFF ON CHANGES IN COMPENSATORY FINANCING LIMITED OFFICIAL USE

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FACILITY DECIDED AT KINGSTON AND ON STATUS OF IMPLEMENTATION OF TRUST FUND. SWEDEN, FRG AND NETHERLANDS WERE INTERESTED IN EARLY MEETINGS OF EXPORT SUB-GROUP TO CONSIDER IMPLICATION OF KINGSTON DECISIONS TO ASSIST IN BRIEFING IMF REPS FOR LATE FEBRUARY EXECUTIVE BOARD MEETINGS, AND TO SEE WHAT ELSE MIGHT NEED TO BE DONE. A NUMBER OF OTHER DELS, INCLUDING FRANCE AND CANADA, SAW NO NEED FOR SUB-GROUP MEETING UNTIL DECISIONS HAD BEEN TAKEN WITH RESPECT TO TRUST FUND. US DEL EXPRESSED SIMILAR VIEW. GROUP AGREED TO CONSIDER A SUBGROUP MEETING FOR FIRST WEEK IN MARCH, BUT LEFT IT TO CHAIRMAN TO DECIDE AT END OF FEBRUARY, UPON CONSULTATION WITH DELS INTERESTED IN SUBGROUP, WHETHER STATE OF IMF WORK WAS SUCH THAT MEETING WOULD SERVE USEFUL PURPOSE.

7. FUTURE MEETINGS: HLGC AGREED TO HOLD ITS NEXT MEETING IN MID-MARCH JUST BEFORE MARCH SESSION OF CORM, ALTHOUGH PRECISE DATE WAS NOT SET. CHAIRMAN PRESTON INDICATED FOLLOWING SUBJECTS, IN ADDITION TO CONTINUED EXCHANGE OF VIEWS ON CORM, COULD BE DISCUSSED: 1) COMMODITIES WHICH G-77 HAD ADDED TO ITS LIST IN MANILA BUT WHICH HAD NOT BEEN DISCUSSED BY HLGC (I.E. VEGETABLE OILS AND OIL SEEDS, TIMBER, MANGANESE AND PHOSPHATES), PLUS DEEPER DISCUSSION OF BANANAS AND BAUXITE, AS AGREED AT DECEMBER HLGC MEETING (SECRETARIAT WILL DO PAPERS ON THESE); 2) INVESTMENT ISSUES; AND 3) BUFFER STOCK FINANCING "BY INTERNATIONAL ORGANIZATIONS" (WHICH CHAIRMAN NOTED APPEARS IN MANILA REPORT AS ALTERNATIVE TO THE "COMMON FUND"). ON LAST POINT SECRETARIAT WILL DO NOTE ON EXISTING SITUATION.
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